

April 15, 2013

BY ELECTRONIC FILING

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, D.C. 20554

Re: *Connect America Fund*, WC Docket No. 10-90 –
Notice of *Ex Parte* Communications

Dear Ms. Dortch:

On Thursday, April 11 and Friday, April 12, 2013, Anand Vadapalli, Leonard Steinberg and Richard Cameron of Alaska Communications Systems Group, Inc. (“ACS”) and I met with Commissioner Clyburn and Angie Kronenberg, Commissioner Pai and Nick Degani, Commissioner Rosenworcel and Priscilla Argeris, Michael Steffen, Julie Veach and Carol Matthey, all concerning the Commission’s Phase II Connect America Fund (“CAF”) program.

In these meetings, ACS described how, as operator of the four price cap carriers serving Alaska, it has been an active participant in the Wireline Competition Bureau’s proceedings to develop the Phase II CAF rules and forward-looking cost model within the parameters outlined in the Commission’s *CAF-ICC Transformation Order*. ACS expressed its concern that the Connect America Cost Model (“CACM”) as currently configured dramatically cuts the amount of support for the Alaska price cap companies, disserving the goal of expanding broadband to unserved Alaska locations. This result is counter-intuitive in several respects, including that the total amount of support for price cap carriers is increasing under CAF Phase II, and that line densities in the ACS service territories are among the lowest in the country. Moreover, the Commission has acknowledged that Alaska historically has been underserved by broadband.

ACS noted that it has raised extensive questions about the assumptions underlying the CACM and its cost inputs, none of which have been answered to date. ACS pointed out several of the known shortcomings of the CACM, such as its omission of transport costs between Alaska and the nearest Internet access points in Seattle and Portland, and its erroneous assumption that a cable broadband provider is an unsubsidized competitor. This and other flaws in the CACM have been extensively documented by ACS in this proceeding.

ACS advocates that the non-continental United States (“CONUS”) price

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cap carriers as a group should receive an increase in support under CAF Phase II that is, at a minimum, proportionate to the overall increase in support expected to be received by the CONUS price cap carriers. Thus, it is critical that the design and funding rules for CAF II be developed and implemented simultaneously for CONUS and non-CONUS carriers. Decisions on CAF II support for insular areas such as Alaska should not be put off until after CAF II is implemented for CONUS carriers.

Further, ACS noted the modeling work it has already done, and the extensive additional work it expects soon to complete, to demonstrate where the CACM fails to accurately predict forward-looking costs of the ACS operating companies in Alaska, and thus understates the total amount of support necessary to bring broadband to eligible census blocks in Alaska under CAF Phase II. ACS believes that, by examining the ACS modeling, and employing simple, time-tested metrics such as line density or transport costs, the Bureau will be able to arrive at support levels not only for Alaska but also for the other non-CONUS price cap carriers that will be far more reliable than the numbers produced by the CACM.

ACS also explained why the proposed requirement of five years to extend broadband to 100 percent of eligible locations in the state would not be workable for Alaska, as it fails to account for the unusually short construction season and limited labor pool in the state. ACS advocates a ten-year build-out period in non-CONUS areas.

Finally, ACS explained that it hears regularly from end-users in high-cost areas asking for access to high-speed broadband. In many cases, ACS and other providers are unable to increase broadband speeds due to the lack of available, affordable high-speed middle-mile transport to the remote areas of the state. It therefore is critical that adequate CAF II funding quickly be made available for the benefit of such customers.

Please direct any questions regarding this matter to me.

Very truly yours,



Karen Brinkmann
Counsel to ACS

cc: Hon. Mignon Clyburn
Hon. Ajit Pai
Hon. Jessica Rosenworcel
Priscilla Argeris
Nick Degani
Angela Kronenberg
Michael Steffen
Julie Veach
Carol Matthey